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Voluntary initiatives in global value chains Towards labour-led social upgrading?

Karin Astrid Siegmann, Jeroen Merk and Peter Knorringa

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Table of Contents

ABSTRACT	4
1 TOWARDS LABOUR-LED SOCIAL UPGRADING IN GLOBALIZED PRODUCTION	5
2 WHY VOLUNTARY INITIATIVES HAVE FAILED TO DELIVER DECENT WORK	7
3 HOW POSITIVE CLASS COMPROMISE MIGHT EMERGE	9
4 UNION REPRESSION AND WORKERS' STRUGGLES IN INDONESIA'S EXPORT INDUSTRIES	11
5 NEGOTIATING AN ALTERNATIVE MODEL: THE FREEDOM OF ASSOCIATION PROTOCOL	14
6 THE FOA PROTOCOL AS POSITIVE CLASS COMPROMISE?	16
7 CONCLUSION AND OUTLOOK	19
REFERENCES	21

Abstract

The organization of production in global value chains (GVCs) has been accompanied by a rise of informal and insecure work. Yet, the role of labour agency has received scant attention in the GVC and related literatures. Selwyn (2013) therefore demands to shift attention towards engagement with labour movements to identify what he terms 'labour-led' social upgrading.

We engage with this plea by investigating the role of voluntary initiatives (VIs) as non-governmental systems of labour regulation in GVCs. The paper asks under which conditions VIs with a more active role for labour emerge in GVCs. In order to answer this question, we apply Wright's (2000) theory of the factors enabling positive class compromise to a VI that has been implemented in the Indonesian sportswear industry: In June 2011, a Protocol on Freedom of Association (FoA) was signed by Indonesian trade unions, large Indonesian manufacturers and major multinational brands.

Based on the analysis of this case, we show that, while the spatial dispersion of production has weakened state mechanisms for the guarantee of labour rights, new pressure points for labour have also emerged, e.g. brands' reputation or just-in-time production. Besides, new possibilities for transnational labour networks have opened that strengthen workers' associational power. Moreover, GVCs fragment capital in different factions, such as producers and brands. Their material concerns are not necessarily congruent. Workers' movements might be able to benefit from such divergent interests. We conclude that if VIs are to create conditions under which decent work can be strengthened, the involvement and strength of local labour organizations is required and producers' and/or buyers' dependence on workers' cooperation may act as a catalyst.

Keywords

Freedom of Association Protocol, global value chains, Indonesia, labour-led social upgrading, sportswear industry, trade unions.

Voluntary initiatives in global value chains¹

Towards labour-led social upgrading?

1 Towards labour-led social upgrading in globalized production

The past two decades have seen a multiplication of the volumes of world merchandise exports and international foreign investment flows (UNCTAD, 2012: 24; WTO, 2012: 19). This increase in the quantity of international trade and investment volumes, amongst others, has been the consequence of a qualitative shift in the global economy, namely the increase of fragmentation of production and its relocation across international borders. This shift has been flanked by market-driven politics, from the economic liberalization in formerly socialist countries of Eastern Europe and Asia, via the establishment of the World Trade Organization (WTO) to the financialization of multinational enterprises (MNEs).

The governance of this process has been conceptualized in the scholarly literature on global value chains (GVCs) and related concepts (for a critical overview, see Newman, 2012)². Yet, while globalization of production in GVCs has been accompanied by a rise of informal and insecure work across different regions of the world, even in formal establishments (ILO, 2002: 35-7), the role of labour has received scant attention in the GVC literature. Due to their focus on the vertical nature of globalized production networks and the role of the firm therein, GVC studies have tended to turn a blind eye to horizontal factors determining outcomes (Newman, 2012: 160), such as employment access and labour conditions (Merk, 2007; Selwyn, 2013).

Early exceptions cautiously conclude that the process of firm upgrading in developing country suppliers that is central to many GVC studies is not necessarily paralleled by improvements in labour conditions (Knorringa and Pegler, 2006: 475). More recently, scholars have addressed the labour blindness of the concept of upgrading by distinguishing between and investigating the relationship between firms' economic upgrading and social upgrading, i.e. workers' labour conditions (e.g. Barrientos et al., 2011; Milberg and Winkler, 2011). Going beyond the upgrading hypothesis and informed by, amongst others, a labour process perspective, Pegler et al. (2011: 116) argue in the case of agricultural value chains that 'the marginalized position of the rural

¹ We are grateful for stimulating comments of participants of the session on 'The Missing Link - Integrating Labour with Global Value Chains' during the 2013 International Labour Process Conference, New Brunswick, the Inaugural Civic Innovation Research Initiative (CIRI) Forum 'Theories and Practice in Civic Innovation', The Hague as well as during a CIRI seminar in January 2014. All remaining errors are solely ours.

² For the purpose of this paper, we use the term GVCs, rather than related concepts, e.g. global commodity chains or global production networks. This is due to the prominence that the term has gained since the late 1990s in policy and academic circles (Newman, 2012: 155).

workforce and the resulting low labour costs have been instrumental in securing companies' and macro-economic competitiveness'. Taking a Marxian perspective, Selwyn (2013: 87-8) therefore demands to shift attention towards engagement with labour movements to identify what he terms 'labour-led' social upgrading.

This turn in the academic debate follows the changed direction of labour activists' demands. Trade unions, NGOs and other advocates of labour rights, have long criticized poor and insecure labour conditions as a result of a 'race to the bottom' in globalized and more competitive production networks since the 1990s, though. Lead firms in such chains, in particular, have responded to this critique with the development and implementation of different types of private sector voluntary initiatives (VIs) for corporate social responsibility (CSR), which have gradually involved a wider range of stakeholders (Newitt, 2012). Yet, the widespread failure of these initiatives to effectively improve labour conditions in GVCs has lead activists and scholars to call for corporate social accountability as a more hybrid combination of demands for 'hard' and 'soft' law targeting corporations, involving a more representative cross-section of civil society actors and coalitions, especially workers' voices (Utting, 2008: 968-72).

Based on a review of relevant academic literature and media reports as well as on selected qualitative interviews with trade unionists, we engage with Selwyn's plea for an analysis of 'labour-led' social upgrading by investigating the role of voluntary initiatives (VIs) as non-governmental systems of labour regulation in GVCs. The paper asks under which conditions VIs with a more active role for labour emerge in GVCs. In order to answer this question, we apply Wright's (2000) theory of the factors enabling positive class compromise to the Freedom of Association Protocol, a VI that has been implemented in the Indonesian sportswear industry since 2011. Freedom of association (FoA) and collective bargaining (CB) are two key labour rights that are enshrined in international law. They are often referred to as 'enabling rights', implying that, when these rights are respected, workers can use them to ensure that other labour standards are upheld. While they often formally acknowledge the relevance of FoA and CB, VIs in labour-intensive sectors such as the sportswear industry have a notoriously poor record on implementing and monitoring these collective labour rights (e.g. Frenkel, 2001; Manic, 2004; Play Fair, 2008). The Indonesian FoA Protocol represents an 'extreme case' of a structural commitment to strengthening labour. Its study might contain lessons for forms of non-governmental labour regulation that are less far-going in their concessions in favour of labour (Patton, 1990: 169-71).

The next section critically reviews empirical and theoretical critiques of VIs. It identifies a lack of analyses of the contributions of workers' collective organizations to VIs. Section 3 outlines Wright's (2000) theory of positive class compromise which puts workers' collective agency at the centre of the analysis. Section 4 introduces the background of union repression and workers' struggles in Indonesia's export industries, which led to the emergence of the FoA Protocol. Features and scope of this VI are presented in section 5. It is subsequently discussed in the light of the theoretical framework in section 6. In

the conclusion, we derive elements for labour-led chain governance from the analysis of the Indonesian case and provide an outlook for GVC-related research and intervention.

2 Why voluntary initiatives have failed to deliver decent work³

With O'Rourke (2003: 2), we define VIs as non-governmental systems of labour regulation. Within this container concept, one finds heterogeneous forms of private chain governance. They include individual company codes, industry-led platforms and multi-stakeholder initiatives (MSIs) (Newitt, 2012: 6-9). Notwithstanding this differentiation, we zoom in on key commonalities.

VIs have often set out to compensate for deficits in national governments' capacity (or willingness) to regulate globalized labour relations in production networks. Their rise since the 1990s can not be understood outside the neo-liberal drive towards marketization (Bartley, 2003). It can be related to business interests' perception of VIs as 'non-threatening as [they] respected the central tenets of neo-liberalism centred on FDI, export-orientation, privatization and downsizing of the state' (Utting, 2000: 4). Initially, VIs were – at least in part – a response to activists' campaigns against sweatshop conditions in globalized production. Later, 'the balance between confrontation and collaboration shifted in favour of the latter' (Utting, 2008: 960): Many civil society organizations have discovered that lobbying businesses can, for certain objectives, be more effective and visible than their traditional arena – lobbying the state. They have become involved in MSIs in an effort to move from corporate self-regulation to co-regulation. This shows that the proliferation of VIs is driven by a wide range of stakeholders, which have different interests and contrasting expectations of the purpose of these instruments (Jenkins, 2002: 13). They can therefore best be understood as objects of political contestation and strategic framing between different social forces searching for ways to fill the regulatory vacuum (Bartley, 2003: 437).

VIs have led to raised awareness of exploitative labour conditions among different actors in GVCs. Besides, they have contributed to an increased endorsement of internationally recognized labour rights by business. This has been further reinforced through the recently adopted 'Guiding Principles on Business and Human Rights for implementing the UN 'Protect, Respect and Remedy' Framework' (UN Human Rights Council, 2011).

Despite such increased discursive endorsement by the business community, labour activists and scholars have questioned the effectiveness of VIs to guarantee decent work in GVCs. A recent overview, prepared as a background document for the World Bank's flagship publication World Development Report 2013, cautiously states that it '[...] is difficult to ascertain the long-term impact of voluntary initiatives on working conditions in global supply chains' (Newitt, 2012: 4). While some observers perceive positive

³ This section draws on Merk (2007).

effects, in particular regarding health and safety standards, working hours and payment of the minimum wage for formally employed workers (Barrientos and Smith, 2007), an overwhelming number of factory level case studies show their operational limitations. Utting (2008: 963) summarizes that non-governmental systems of labour regulation have largely failed in terms of scale, scope and the development of effective instruments: Only a small fraction of MNEs, let alone the broader business community, actively engages with VIs. Commercial logic and stipulations of VIs contradict each other where MNEs increase pressures on their suppliers and their subcontractors to raise labour standards while simultaneously demanding lower prices and shorter lead times. The implementation of labour codes is comparatively weak on enabling rights, such as freedom of association (FoA) and collective bargaining. Moreover, VIs have been shown to neglect the situation of non-core, women and migrant workers in the supply chain (e.g. Barrientos, 2008).

This lack of effectiveness in producing positive outcomes for workers can be related to inherent flaws in VIs' instruments, in particular, factory monitoring systems (Brown, 2013). First, monitors often lack expertise and authority to identify shortcomings and to go beyond 'ticking the boxes'. Second, monitoring and auditing has itself become a multi-billion industry in which auditors follow the business logic of trying to maintain good relationships with their most valued customers. This means that auditing companies are likely to incorporate their clients' expectations in their implementation strategies, and will be hesitant to openly criticize their clients. Third, a very large group of producers actually invest much of their time and effort in falsifying reports and influencing auditing visits.

These operational shortcomings are caused by the common dominance of a commercial logic in the design of VIs (Brown, 2013: 4). Taylor (2011: 449) points out that '[...] the implementation of labour codes appears to clash with one of the fundamental driving forces of the internationalisation of production: namely, the relocation of capital to access labour forces that are both short of basic rights and that can be subjected to intense work routines in poor labouring conditions over an extended working week for low wages.' Moreover, a near total lack of worker participation at the plant-level, excluding the people with the greatest knowledge of the problems on the job and the greatest stake in improvements is a crucial problem in the design of VIs (Brown, 2013: 4), besides their wide-spread lack of enforcement mechanisms and the absence of transparency.

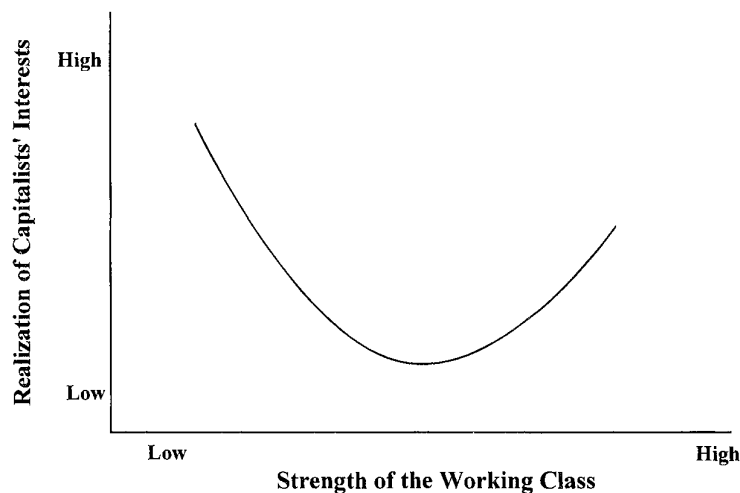
Addressing the above-mentioned weaknesses in a next generation of VIs will be contingent on a different role for labour. So far, an instrumental and passive role is commonly allocated to labour in GVCs (Selwyn, 2013: 76-9): Labour is an instrumental production factor for MNEs' accumulation strategies. If covered by VIs, workers become often mere passive objects for social auditing. Even when trade unions or other labour organizations are represented in MSIs, their role is commonly marginal. A 'sea-change in the international business model and the active participation of informed and empowered workers' (Brown, 2013: 5) is therefore required. In order to detect

promising avenues for governance of labour relations in globalized production, an analytical framework is required that puts workers' agency at the centre.

3 How positive class compromise might emerge

Wright's (2000) theory of the factors enabling positive class compromise offers a contribution to fill this conceptual gap. He explains how the position of labour may improve as a result of mutual cooperation between increasingly powerful workers associations and capitalists. Wright departs from traditional Marxian assumptions when he sees antagonism between capitalists' commercial logic and workers' interest in decent labour conditions as the key feature of capitalist societies. Yet, he shows that, despite opposed class interests, coalitions implying benefits for labour may be possible. VIs can potentially capitalize on the identification of such possibilities of positive class compromise.

Figure 1
Working class strength and capitalist class interests



**Level of Development of Working-Class
Associational Practices in Economic Organization and Politics**

Source: Wright (2000: 960)

Wright (2000: 962) distinguishes workers' 'associational power', i.e. forms of power resulting from the formation of workers' collective organizations, from their 'structural power' as 'power that results simply from the location of workers within the economic system'. He defines positive class compromise as 'mutual cooperation between opposing classes' that leads to improved outcomes for both workers and capitalists (Wright, 2000: 958). It involves concessions in favour of the interests of people in the opposing class (Wright, 2000: 964). His central argument is that the possibilities for stable, positive class compromise generally hinge on the relationship between the associational

power of the working class and the material interests of capitalists. While orthodox Marxists and neoclassical economists assume an inverse relationship between these two variables, he postulates a curvilinear reverse-J relationship (Figure 1): Capitalist-class interests are initially adversely affected by rising working-class power. Yet, once working-class power crosses some threshold, it begins to have positive effects on capitalists' interests (Wright, 2000: 958-9). This happens when associational power of workers may help capitalists to solve certain kinds of collective action and coordination problems (Wright, 2000: 978).

Wright differentiates these interests of capital threatened or facilitated by increasing working-class power for the spheres of politics, exchange, and production (Wright, 2000: 978-85). Collective action or coordination problems in the sphere of exchange that well-organized workers' associations may help to solve refer, for instance, to demand generation or wage restraints under conditions of tight labour markets. In the sphere of production, stronger works councils enhance the possibility of more effective involvement of workers in various forms of creative problem solving. At the political level, organizational links between the labour movement and leftist parties may be critical for stability, paving the way to high capacity utilization, low levels of unemployment, and relatively high productivity growth.

While his game-theoretic model assumes a closed economy, Wright (2000: 995-9) also explores the impact of globalization on the possibilities of positive class compromise to emerge. He concludes that, in the context of GVCs, there will be a tendency for positive class compromise to be more heavily concentrated within the sphere of production (Wright, 2000: 998-9). The above inventory of capitalists' interests in cooperation with the working class in the spheres of exchange and politics are unlikely to apply to GVCs. For instance, export-oriented producers in the global South are unlikely to seek workers' cooperation for 'Keynesian effects', i.e. the ability to sell their products. This is because workers in these factories are, so far, commonly not identical with the consumers of the export products they manufacture (Wright, 2000: 996). At the level of politics, reduced fiscal autonomy of the state resulting from increased globalization reduces the benefits from policies aimed at influencing aggregate demand as well as the capacity of the state to sustain them (Wright, 2000: 998).

Yet, capitalists' interest 'in being able to reliably elicit cooperation, initiative, and responsibility from employees' at the shop floor (Wright, 2000: 981) might even increase under conditions of the intensified competition that comes from increased globalization (Wright, 2000: 996). The downside of these new opportunities might be an intensification of dualist labour markets with privileged segments of the labour force, in a position to forge class compromises while others are not (Wright, 2000: 999).

We argue that Wright's theory might contain lessons for labour-led social upgrading in globalized production. In the following, we therefore apply his analytical lens to a deeper understanding of the processes that have led to the recent emergence of the FoA Protocol in the athletic footwear industry in Indonesia.

4 Union repression and workers' struggles in Indonesia's export industries

Labour-intensive industries like garment and footwear manufacturing arrived in Indonesia at the end of the 1980s when the Suharto regime shifted towards an export-driven industrial strategy. South Korean manufacturers, in particular, started to move factories towards Indonesia: At home, they were confronted with intense working class struggles due to the 1987 democratization movement and increasingly powerful unions capable of negotiating higher wages (Merk, 2011).

Overall, athletic sportswear had changed from a small, specialist market into a mainstream fashion product since the 1970s. Its market is highly concentrated. Dominated by a few well-known brands, such as Nike, Adidas, Puma, New Balance and Asics, the twenty largest companies represent over 92 per cent of the global wholesale market (SGI, 2003). Practically all of the brand-named corporations have long disassociated themselves from direct strategic control over labour-intensive production and large workforces, despite maintaining operational control over production processes through conceptualization, design, quality control, etc. (Ietto-Gilles, 2002: 54). Actual production is now being performed by manufacturers operating in low-wage countries. There have been two major shifts in the spatial organization of athletic footwear production. In the 1960s, Western corporations started outsourcing production on the basis of wage differentials towards Taiwan and South Korea. Production moved to a second tier of developing countries, namely China, Indonesia and Vietnam, at the end of the 1980s. These three countries still count for over 90 per cent of the global athletic footwear production (Merk, 2011: 81-7; UBS Warburg, 19 May 2003).

All main producer countries have a history of severely curtailed collective labour rights. In China, workers are legally restricted to form independent unions. Unions have to be approved by the state-controlled All-China Federation of Trade Unions (ACFTU). As a result, workers are mostly represented by unelected state union officials who have been criticized for doing little to improve working conditions or protecting workers' rights. Similarly, in Vietnam, workers are neither free to join unions nor form unions of their own choosing. Unions registered at workplaces must be affiliated with the Vietnam General Confederation of Labour (VGCL). Although, compared to its Chinese counterpart, the VGCL has established a more independent position from governmental activities and approval in representing workers (Clarke et al., 2007), most work place unions turn out to be 'an arm of management, rather than representing workers' interests' (Wang, 2005: 49).

In Indonesia, the Suharto regime (1967-1998) strongly restricted trade union activity and the employee's voice in the workplace. The only union that could legally operate was the *Serikat Pekerja Seluruh Indonesia* (SPSI, All-Indonesia Workers' Union), but like those operating in China and Vietnam today, it was 'primarily an instrument of control rather than a representative body' (Ford, 2005: 200). However, many of the newly recruited workers established their own associations, organized strikes and mass demonstrations.

The growth in unrest was concentrated in large, multinational-owned industries geared towards export production in the garment, textile and footwear sectors (Silvey, 2003: 136).

Workers who set up new (underground/semi-illegal) trade unions or organized strikes were arrested and imprisoned. The army often intervened in these conflicts. In 1991, when strikes occurred at two Korean factories the Indonesian daily *Media Indonesia* published a three-day report on shoe factories. The second-day headline read: 'World Shoe Giants Rape Worker Rights'. The subsequent stories detailed a range of labour rights abuses, poor conditions and abusive management. These struggles had an impact beyond the local level when Western media began to pick up the reports. This resulted in a first wave of publications on poor working conditions at Nike suppliers in media outside Indonesia. Around this time, the contacts between local labour NGOs and transnational anti-sweatshop networks such as Oxfam Australia, the European Clean Clothes Campaigns (CCC), the US-American United Students Against Sweatshop (USAS), the global union federation IndustriALL and others became more intense. Indonesian workers organizations have had more access to such transnational networks compared to their fellows in China and Vietnam, who must deal with a general lack of political structures open to their cause. Anti-Nike campaigns were launched in Germany, the Netherlands and Italy. Meanwhile, dozens of strikes at athletic footwear factories were reported throughout the 1990s, often followed by dismissal, arrest and violence. Labour NGOs played an important role in the reconstruction of the Indonesian labour movement during the 1990s when Suharto's government's prevented workers from effectively pursuing their interests within the state-sanctioned union and prohibited them from organizing meaningful alternatives within the official industrial relations system (Ford, 2006: 175).

This international collaboration was continued in the post-Suharto era, e.g. in the Play Fair campaign. Launched in connection with the 2004 Olympic Games held in Athens, this campaign sought to push sportswear and athletic footwear companies, the International Olympics Committee and its national organising committees, as well as national governments to take concrete measures to address violations of workers' rights in supply chains. The campaign consisted of an alliance of Oxfams, Global Unions (including the then ICFTU and the International Textile, Garment and Leather Workers' Federation (ITGLWF, today: IndustriALL), the Clean Clothes Campaign and their constituent organizations worldwide. In the six-month run-up to the 2004 Olympic Games, the campaign organizers estimated that 500 local events such as demonstrations, protest actions, picket lines, etc. had taken place. More than 500,000 people had signed a petition in support of the campaign. Various Indonesian unions involved in the campaign were affiliated to partners abroad and had worked together in the Play Fair campaign. For instance, *Garteks - Serikat Buruh Sejahtera Indonesia* (GARTEKS-SBSI, Federation of Garment, Crafting, Textile, Leather and Shoes) and *Serikat Pekerja Nasional* (SPN, National Labor Union) are affiliated to the ITGLWF. *Kongres Aliansi Serikat Buruh Indonesia* (KASBI, The Indonesian Workers' Alliance Congress) and

Gabungan Serikat Buruh Indonesia (GSBI, The Federation of Independent Trade Unions) has had a long-standing relation with Oxfam and Oxfam Australia.

The end of the Suharto regime in 1998 removed earlier restrictions on trade union establishment when the government ratified eight ILO conventions, including those guaranteeing FoA and CB. They were translated into the domestic Trade Union Law, No 21/2000, which permitted multiple union structures in the form of national federations and larger confederations (Manning, 2010). With these political barriers lifted, Indonesia witnessed a steep rise in the number of trade unions. By August 2000, 24 national trade unions and over 10,000 enterprise unions had registered with the Department of Manpower (Ford, 2009: 161). This rise meant increased pressure for compliance with labour rights and standards. Indeed, after long negotiations, the law No 13/2003 was passed. It covers a wide range of labour protection issues that were previously scattered over various decrees and laws as well as setting new standards, e.g. regarding the protection of female workers and procedures and compensation for lay offs and dismissals (Manning, 2010). Yet, these political and legal changes did not end the violence, intimidation and the imprisonment of outspoken workers or union officials (Connor and Dent, 2006; ICFTU, 2003; ITGLWF, 2011; Quinn, 2003).

The process of democratization or *Reformasi* heralded a shift from state union repression to (state-tolerated) repression by private firms. Employers often use acts of discrimination against union members or workers suspected of engaging in organising activities. This can range from withholding promotions to intimidation and outright violence. In other cases, factory management seeks to interfere with union activities, for example by denying access to office space, refusing trade union representatives to carry out union duties, or simply by refusing to engage in social dialogue and collective bargaining (ITGLWF, 2011). While state-sponsored violence through the military reduced under *Reformasi*, employers often mobilize local criminal gangs, so-called *preman*, as ‘industrial instruments’ to constrain labour activism, intimidate union activists and to break-up strike actions (Warouw, 2006: 203, see also Merk and Mufakhir, 2014).

As a result, few opportunities exist for trade unions to engage in (meaningful) collective bargaining. Management often simply refuses to negotiate with elected worker representatives. The increased use of short-term contracts is another problem Indonesian unions are facing. In some sportswear factories, up to 80 per cent of workers is employed on a temporary basis (ITGLWF, 2011: 2; World Solidarity, 2009). Employers often refuse to renew contracts of union members. A ‘flexibility regime’ has been created, centered on short-term contracts, that undermines trade union activities. Indrasari and Nugroho (2008: 9) conclude that ‘[i]n the current labour climate, joining a union is considered to be a threat to ongoing job security, rather than a viable way of defending one’s rights’.

Yet, despite continued repression, Indonesian trade unions are the most militant in the region. Therefore, workers’ struggles often escalate before even an attempt at finding a resolution can be mounted in the context of existing VIs. The FoA Protocol described in the following section addresses this

situation by paving the way to a more effective guarantee of collective labour rights at the firm level.

5 Negotiating an alternative model: the Freedom of Association Protocol

On June 6, 2011, a protocol on FoA was signed by Indonesian trade unions, large Indonesian sportswear manufacturers and multinational sportswear brands, including Adidas, Nike, Puma, Pentland, New Balance and Asics (Gardener, 2012). Adidas, a company with more market power than others, took on a leading role in the negotiations and lobbied other buyers. Four manufacturers, all major suppliers of main sportswear brands, took part in the negotiation process: PT Adis, PT Tungex, PT Nikomas and PT Panarub. Representatives from five different Indonesian unions led the negotiations – GSBI, SPN, GARTEKS-SBSI, KASBI and *Serikat Pekerja Tekstil, Sandang dan Kulit* (SPTSK, the Textile, Clothing and Footwear Workers Union). Except for SPTSK, these were all unions that have been involved in the Play Fair campaign and have been working with Oxfam Australia, ITGLWF and CCC on solidarity actions around individual factory disputes. These international organizations played an important role at the background of the negotiation process.

The ratification was one of the results of sportswear campaigns around the 2008 Beijing Olympic Games. A report released by the Play Fair campaign just before the Olympics had identified a lack of respect for FoA and the right to bargain collectively as a major hurdle affecting manufacturing workers in supply chains that need to be overcome (Play Fair, 2008). This report and the detailed targets formulated in it formed the basis of a three day long conference in Hong Kong in June 2008 in which both the Play Fair Alliance and the main brands driving the sporting industry participated to discuss workers' wages and working conditions. At this meeting, it was agreed that, in order to find solutions to workplace issues, the discussion needed to move from a global to the national level. A joint working group was formed to advance work at the national level. Indonesia was chosen a good starting point due to its significance for sportswear production as well as because of the independence of trade unions. This led to a process of negotiations around a protocol that provides companies with a set of guidelines on how to uphold and respect trade union rights.

The resulting Protocol establishes practical guidelines to ensure that factory workers in Indonesia are able to organize and collectively bargain for better conditions in their workplaces (Table 1). The agreement also covers areas concerning non-victimization of trade union officers and members as well as a non-intervention pledge on the part of employers into trade union activities. In addition, the Protocol describes in much more detail than the national law (let alone, multinational brands' VIs) what rights unions can claim at the factory level (Table 1). Indonesian union representatives find the Protocol to be more detailed than the law, giving more space for workers to organize as a result (interview Emelia Yanti, GSBI, October 2011).

Table 1
Rights unions can claim under the Protocol*

Request the release union representatives from their work duties to undertake union organizational activities (art. 4.5 & 4.6);
Make use of company meeting space for union activities (art. 5.1a);
Make use of communication facilities (telephones, fax, internet) (art. 5.1b);
Make use of company vehicles (art. 5.1c);
Display their organization's flag (art. 5.1d);
Display a union signboard (art. 5.1e);
Receive visitors from union organizations outside the company (art. 5.1f);
Request company assistance in deducting union fees (art. 5.1g);
Have access to a furnished room that can be used as a union secretariat (art. 5.2a);
Negotiate a collective bargaining agreement (art. 6);
Distribute union information to workers (art. 7.1);
Attach information to public notice boards without prior permission (art. 7.2a);
Support and facilitate union activities during working hours, by allowing routine scheduled meetings, ad hoc meetings, and union education activities (art.5.3);

* These rights can be subject to certain conditions such as, for example, availability and regulations and procedures that apply to other users within the company.
See for the precise formulation the Protocol.

Source: FoA Protocol (2011)

Coverage of the Protocol is wide. The leading sportswear brands have signed up to it. Since the global athletic footwear industry, unlike garment production, is highly consolidated, these brands together represent over 80 per cent of the global wholesale market for athletic footwear. They source an estimated 30 per cent of footwear merchandise from Indonesia. Four large manufacturers also participated in the negotiation process of the Protocol. For instance, PT Nikomas is owned by the world largest footwear manufacturer Yue Yuen, listed in Hong Kong. It runs a massive plant in Serang, not far from Jakarta, where it employs 70,000 workers in making shoes for Nike, Adidas and Puma (Merk, 2008). This makes it possible to make progress on trade union rights at a nation-wide instead of a factory-by-factory basis. It has the potential to create a more level-playing field amongst sportswear manufacturers in Indonesia, some of whom are already applying higher standards than others.

Unlike most VIs, the Protocol is a negotiated, signed agreement that is binding on all parties at all tier 1 factories producing merchandise of the signatory sportswear brands in Indonesia. Suppliers are obliged to disseminate the content of the Protocol and its implementation to their sub-contractors. Further support for the implementation of the protocol through a 'standard operating procedure (SOP) for the FoA Protocol supervision and dispute resolution committee' was negotiated and inaugurated in November 2012. It is supposed to result in the setting up of (bipartite) Factory Committees on FoA, which are to oversee and report on the implementation of the Protocol provision at the factory level; as well as a Tripartite National Committee. The latter one includes representation from trade unions, manufacturers and

brands. It must provide mechanisms for resolving conflicts that cannot be solved at the factory level; conduct and report on investigations; and provide recommendations for resolution of the issues for parties at the factory level. The SOP and the setting of factory committees and the national committee represent an important step in the further implementation of the FoA Protocol.

6 The FoA Protocol as positive class compromise?

The initial situation of industrial relations in export industries in Indonesia outlined in section 4 resembles the stalemate of non-cooperative class relations predicted in orthodox Marxian theory. While it is too early to assess the effectiveness of the FoA Protocol, against this backdrop, its ratification as such is a significant achievement. Yet, it raises the question why capitalists would submit to the unattractive option of structural collaboration with labour through a VI? Assuming that more general lessons for the emergence of labour-led social upgrading in GVCs can be derived from the analysis of this case, we have tried to understand this question from the perspective of Wright's theory of positive class compromise.

As outlined above, from Wright's perspective, moves towards decent work in GVCs hinge on the strength of labour organizations as well as on the situations in which capitalists depend on workers' cooperation for solving crucial coordination problems. In this section, we relate the Indonesian case to these factors. A first, crucial, observation is that, in GVCs, both working and capitalist classes are more differentiated than in Wright's (2000) stylized model. Capitalists include sportswear manufacturers, but also global buyers. Hence, not just the interests of capitalists and working class conflict, but buyers' and manufacturers' concerns are often opposed to each other. For instance, while manufacturers might be interested in stable, long-term contractual relations, multinational brands might appreciate contractual flexibility. Even within the group of buyers, interests are heterogeneous. This is exemplified in the position that adidas took in contrast to other brands, taking the lead in lobbying for the FoA Protocol. What determined the strength of workers' associations and their allies in the negotiations around the FoA Protocol? And why were brands and manufacturers interested in its ratification?

The Indonesian unions' bargaining power was clearly enhanced by international trade union and labour solidarity networks. It seems that this process took place in two stages. The Indonesian union movements' internal fissures were bridged through joint engagement in the international Play Fair campaign where they collaborated with each other as a result of their affiliation to international trade union and labour solidarity networks. This can be seen as some form of 'boomerang advocacy' (Keck and Sikkink, 1999), which achieves progress at the national level via the 'detour' of international lobbying. Yet, in this case it is not state actors that are successfully lobbied, but the labour movement's internal divisions that are overcome. In a second step, the leverage of cross-border anti-sweatshop campaigns upon sportswear brands has been crucial in shifting this power balance between capital and labour, since

Indonesian unions alone have little capacity to pressurize distant power-holders.

The negotiations for the Protocol were rooted in the point of garment production in Indonesia. Local trade unions defined priorities, goals and targets. Yet, the organization of sportswear production in GVCs has catalysed networks of linkages between labour activists in producing countries such as Indonesia and in major export destinations like Europe and Australia. Such 'glocal bargaining' is a new example for how workers' associational power is strengthened. Franz (2010, 2012) offers a similar argument, referring to the role of international framework agreements for the case of union repression in Indian branches of the German retailer Metro. He posits that '[...] to develop collective power in a global production network, unions have to develop strategies that are able to overcome the spatial asymmetry between the transnationally organized companies and the place-bound labour' (Franz, 2010: 281). He shows how a union's greater power in the company's German home market was harnessed in order to strengthen workers' associational power in India by means of network relationships.

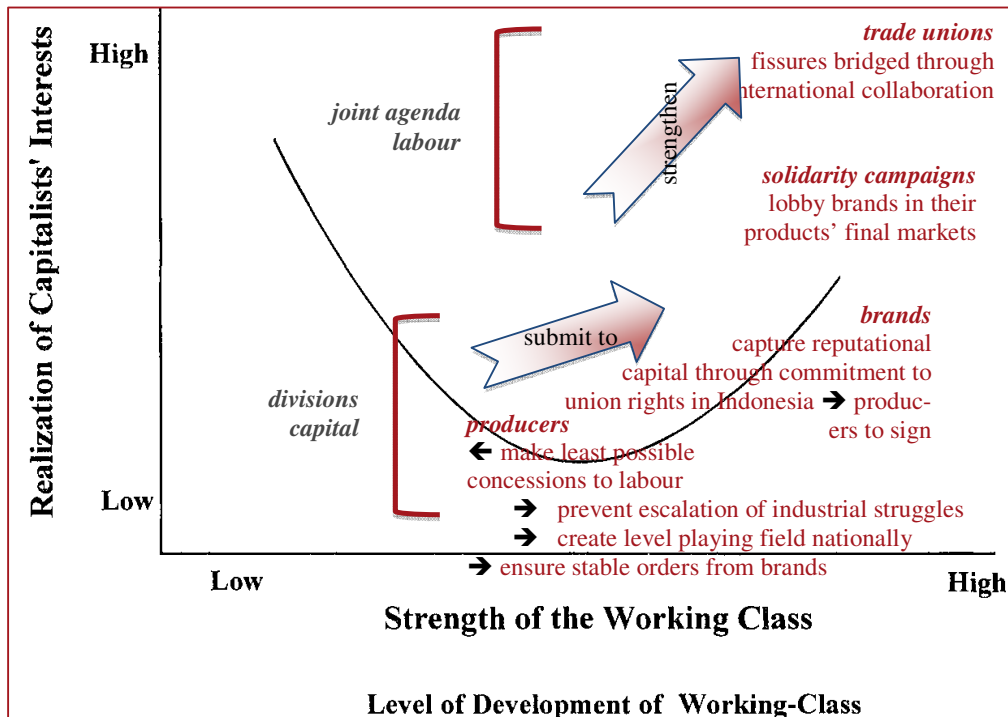
While Wright's model focuses on the role of workers' associations, he concedes that their power may be influenced by the location of labour within the economic system, i.e. their structural power (Wright, 2000: 962). The present study illustrates this for the case of labour relations in GVCs. Globalized just-in-time production, for instance, creates new vulnerabilities for local capitalists, such as the adherence to stipulated lead times. These vulnerabilities are the flipside of the working classes' increased structural power to stop production and to endanger fulfillment of contractual obligations, producers' reputation as well as future orders as a result. Yet, these power potentials can only be actualized through the existence of workers' associations at the level of the firm. With them, a new area of interest in the cooperation of the working class emerges, especially for producers (e.g. Selwyn, 2013: 78; Silver, 2003: 6).

Overall, capitalists' material interests relate to the capture of value of production. Yet, as mentioned above this interest might be differentiated between different fractions of capital, more specifically between sportswear brands and producers, and even between them. Frictions within capital, of course, weaken their position in class-based conflict. Therefore, while on the whole producers were not interested in the far-going concessions established through the FoA Protocol, branded lead firms were in a position to pressurize producers. This is probably because the latter's material interests were directed towards ensuring that buyers place stable orders. Besides, as discussed above, given the vigilance of Indonesian trade unions, manufacturers can be assumed to have an interest in a proactive regime that prevents the escalation of industrial struggles and creates the conditions for productivity increases. Strong and united unions oriented towards social dialogue rather than industrial action have a key role here. Another coordination problem at the level of the sectoral labour market that strong unions help to address is the unevenness in producers' commitments to higher labour standards, including collective labour rights. Unions' campaign for an FoA Protocol has catalyzed a more

'level playing field' for producers where adherence to labour standards does not imply a competitive disadvantage for them.

For the MNEs ordering sportswear from Indonesia, concerns regarding their public perception especially in their main markets might have been a major motive for their involvement in the negotiations of the FoA protocol. In the context of GVCs, such reputational capital is of special significance for branded companies, especially in strongly consumer oriented sectors, such as retailing, garments and footwear, in its ability to create and capture value (Franz, 2010: 283). The Play Fair campaign represented a major threat to that reputation as the visibility associated with international sports events also makes branded sportswear companies hyper-sensitive to publicity that associates their products with exploitation and poor working conditions. Frank Henke, adidas's director of social and environmental affairs, observed: 'Events like the European Championships and the Olympics have drawn us into the epicentre of criticism.' (Reuters, 2004). Brands' reputation is likely to have external effects on other buyers in the sector. For instance, media reports of union repression in one major brand's suppliers are likely to influence public opinion about sportswear firms more generally. An industry-wide standard on

Figure 2
Emergence of the FoA Protocol based on workers' associational power and capitalists interests



Source: authors (based on Wright, 2000)

collective labour rights such as the FoA protocol may be able to address and internalize negative effects on reputational capital⁴. Motivating other sportswear companies to jointly set up and adhere to such a standard, however, is a typical collective action problem. It is a complex problem in that it involves getting on board producers at the location from which threats to reputation emerge as well as competing brands. Here, strong unions cooperating at an industry level and lobbying for an industry-wide standard can act as catalysts to solve this coordination problem. Given the structure of the athletic footwear chain, Indonesia is the only producing country where such an effort could credibly be made due to the lack of independence of Chinese and Vietnamese trade unions. This may explain the availability of MNEs sourcing sportswear from Indonesia to negotiate a structural strengthening of workers' associational power. The negative externalities of bad media reports on brands' reputation might have motivated an industry leader such as adidas to urge other MNEs to come on board and sign the FoA protocol. Firm size – for brands but also for producers – probably had a catalyzing effect. The fact that sportswear producers in Indonesia are large in comparison with, for instance, garment manufacturers in the region catalyses negotiations as less people need to be brought around the table.

7 Conclusion and outlook

Our analysis of the FoA Protocol in the Indonesian athletic sportswear industry from the perspective of Wright's (2000) theory of positive class compromise has shed light on conditions that may enable the emergence of non-governmental systems of labour regulation in GVCs with a more active role for labour.

Indonesian workers' associational power was enhanced through transnational labour solidarity networks, yet, five diverse local unions were at the forefront of the negotiations for the FoA Protocol. This is reflected in the Protocol's stipulations, which caters to the practical needs of local unions rather than referring to abstract principles. The coordination on the labour side increased pressure on producers and brands who had a less united and clear agenda, but also allowed them to solve their respective collective action problems. The FoA Protocol addresses producers' concerns regarding the choking of production through fierce labour struggles. It also ensures that defecting producers do not achieve competitive advantage at the expense of collective labour rights. For sportswear brands, the Protocol offers a unique opportunity to protect and increase their reputational capital as a business community that is 'playing fair' with regards to collective labour rights. Overall, it allows actors in the athletic footwear industry in Indonesia to move from a situation of confrontation to one that has the potential to catalyse cooperation. We therefore consider the Protocol an instance of labour-led social upgrading

⁴ Potoski and Prakash (2005) demonstrate this for the case of private environmental standards.

in GVCs as it ‘prioritizes workers’ struggles to ameliorate their conditions through collective action’ (Selwyn, 2013: 88).

Wright’s simplified concept of class has sharpened our focus on key factors leading to the emergence of VIs with a more active role for labour. Yet, as shown above, extensions are necessary to capture the realities of GVCs. Moving beyond the polarized relation between capitalists and workers to a recognition of more diverse actors has allowed us to explain the strengthening of workers’ associational power through the support of transnational labour solidarity networks, a potential specific to the realities of globalized production. A second extension relates to the sphere in which positive class compromise takes place. Wright predicts (2000: 996) that under conditions of globalization, the most likely sphere for positive class compromise is production. The case study exemplifies, though, that, in GVCs, negotiations between unions and athletic sportswear producers are enmeshed in the negotiations with brands. This means that the negative effect of globalized production on the possibilities for positive class compromise assumed by Wright has to be qualified by new collective action problems specific to trade relations in globalized production. One of them is the challenge for highly visible brands selling consumer goods to protect their reputational capital. As shown above, this may offer new opportunities for compromise between capitalists and workers. Lastly, a separate, but related, point is that, while Wright focuses on associational power, acknowledging its contingency on workers’ structural location within the economic system may be crucial for identifying possibilities for labour-led social upgrading.

Critical question marks are also due. Firstly, we have concentrated on the question which factors have catalyzed the emergence of the FoA Protocol as a VI with the potential to create spaces for labour-led social upgrading. Yet, once the time horizon of the case presented in this paper is delimited, the actual *effectiveness* for guaranteeing Indonesian sportswear workers’ collective rights will be the lackmus test for the Protocol’s effectiveness – as well as for our rather optimistic analysis. Secondly, we implicitly defined workers in the Indonesian athletic sportswear industry as those directly employed in manufacturers’ plants. A significant number of workers are employed in second tier suppliers, though. Despite trade unions’ and their partners’ attempts to extend the coverage of the Protocol to second tier producers, these efforts were met with resistance. Hence, once we extend the boundaries of our unit of analysis, even if effective for directly employed workers, one may question whether this VI can be seen as truly contributing to strengthening labour. The dualist tendencies that Wright (2000: 999) anticipated as a result of positive class compromise, dividing the labour force along the line of privileged access to the guarantee of their labour rights, might be present and intensified through the Protocol. Thirdly, the sphere of politics might deserve more attention. Which role did the Indonesian political class play in the emergence of the Protocol? One can hypothesize that Indonesian bureaucrats’ greater distance to foreign-owned export producers might have had a role to play. As indicated above, in Indonesia, many of the (large) sportswear producers are Taiwanese or South Korean. While the Indonesian political class

earns significant amounts of money from them, through taxation, but also through bribes, still there is a greater degree of distance to productive capital in this sector. This is different from the situation in, e.g. India or Sri Lanka. Due to the greater degree of state support for manufacturers as their translation of being a developmentalist state there, there, capitalists would be far more hesitant to sit around the table with unionists. Hence, while the ratification of the FoA Protocol can be seen as signaling a move towards greater corporate social accountability, characterized by a greater degree of enforceability and inclusiveness regarding the actors involved, we are not yet perceiving a greater commitment of the Indonesian state to enforce legally guaranteed collective labour rights.

Overall, we have shown that, while the spatial dispersion of production has weakened state mechanisms for the guarantee of labour rights, new pressure points for labour have also emerged, e.g. brands' reputation or just-in-time production. Besides, new possibilities for transnational labour networks have opened that strengthen workers' associational power. Moreover, GVCs fragment capital in different factions, such as producers and brands. Their material concerns are not necessarily congruent. Workers' movements might be able to benefit from such divergent interests, especially if they are in a position to help solving producers and buyers' collective action problems. We conclude that if VIs are to create conditions under which decent work can be strengthened, the involvement and strength of local labour organisations is required and producers' and/or buyers' dependence on workers' cooperation may act as a catalyst.

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